

Lease Overview: Department of Health and Human Services

**Joint Legislative Oversight Committee on Health and Human
Services**

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FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Leases

- Under G.S. 143-341(4), the Department of Administration (DOA) is responsible for real property control
- G.S. 143-341(4) and G.S. 146 provide the Statutory basis for real property control in State government
- Statutes preference the use of State owned space, but understand the need to lease.

Process for Acquisition by Lease

- Requesting Agency files application with DOA
- DOA investigates
- DOA determines if it is in the best interest of the State to lease.
- Advertises and negotiates lease
- Makes recommendation to Governor and Council of State for final approval.

Process for Acquisition by Lease

- The Governor, acting with Council of State approval, may delegate authority to enter into leases to individual Agencies:
 - Leases under \$5,000 and no more than three years
 - Leases under \$12,000 and no more than three years

Legislative Role in Acquisitions by Lease

- Joint Legislative Commission on Governmental Operation receives a report leased space annually.

Leasing Benefits

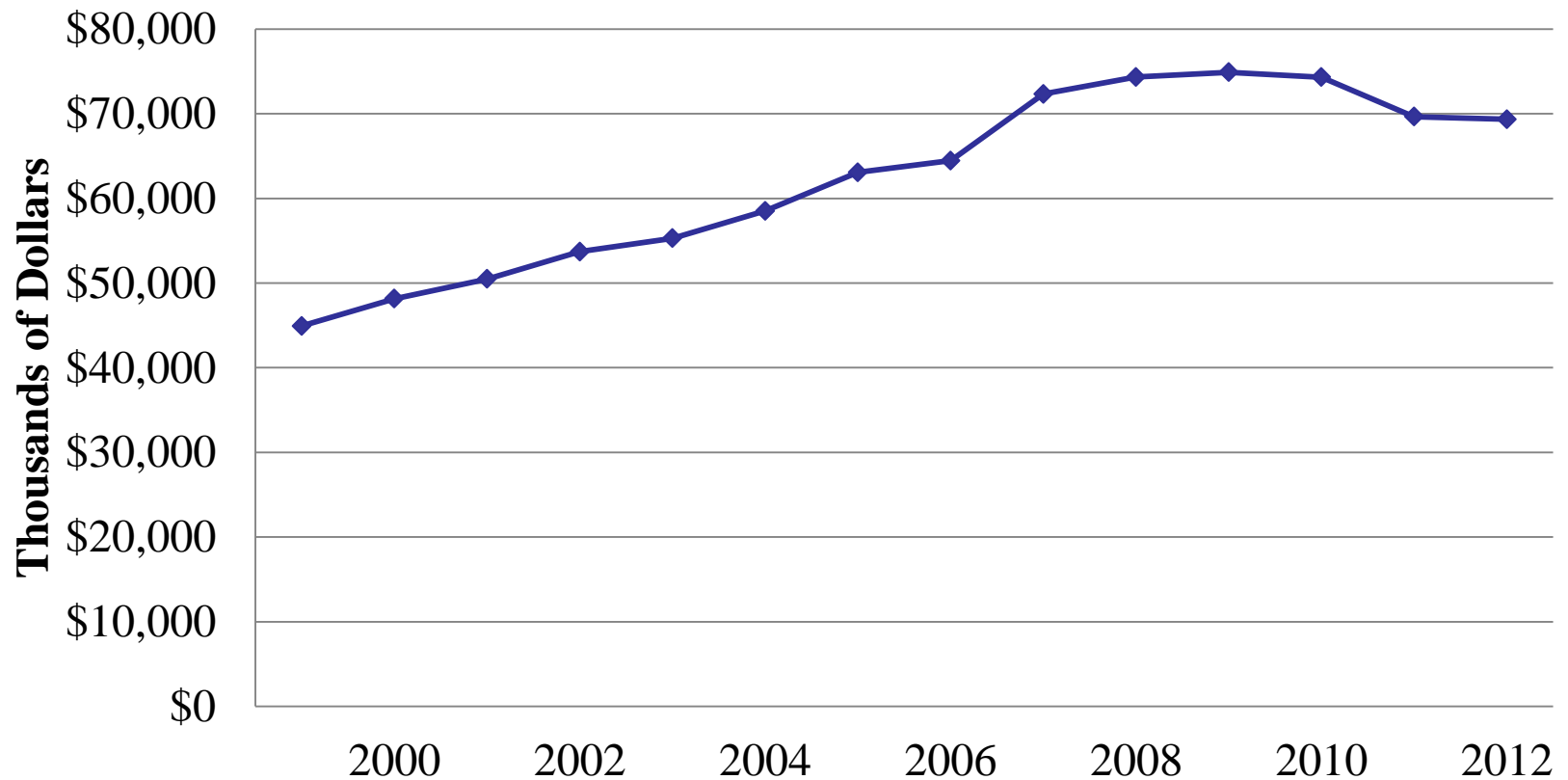
- Flexibility
- Allows for temporary and changing missions
- Can price in items such as operations and maintenance and repair and renovations into lease
- May be more in line with the mission of the organization
- Lack of funding for acquisition.

Leasing Negatives

- Continual drain on operating budgets
- No ownership
- Less control over costs
- May not be suitable to long-term government functions
- Adequate space may not be available in the private market

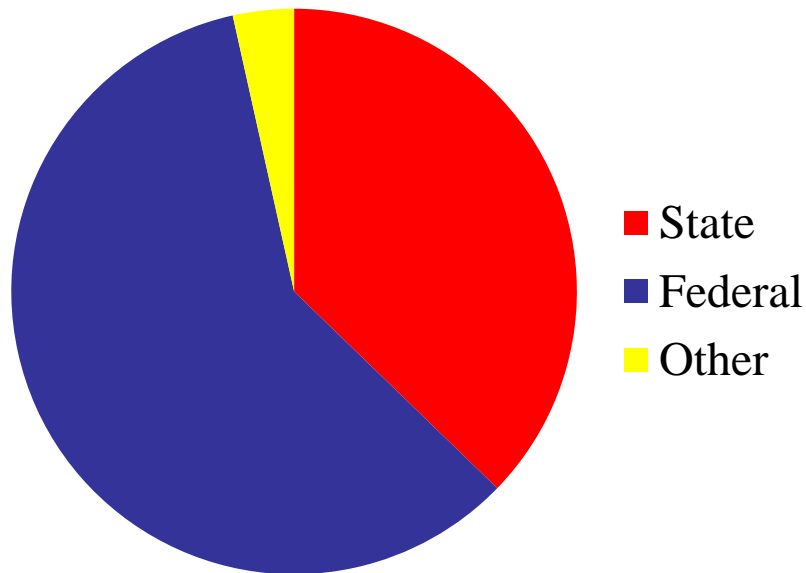
Leases: Statewide

Annual Total Statewide Lease



Department of Health and Human Services in Wake County, 2012

Leases by Funding Source (Wake)



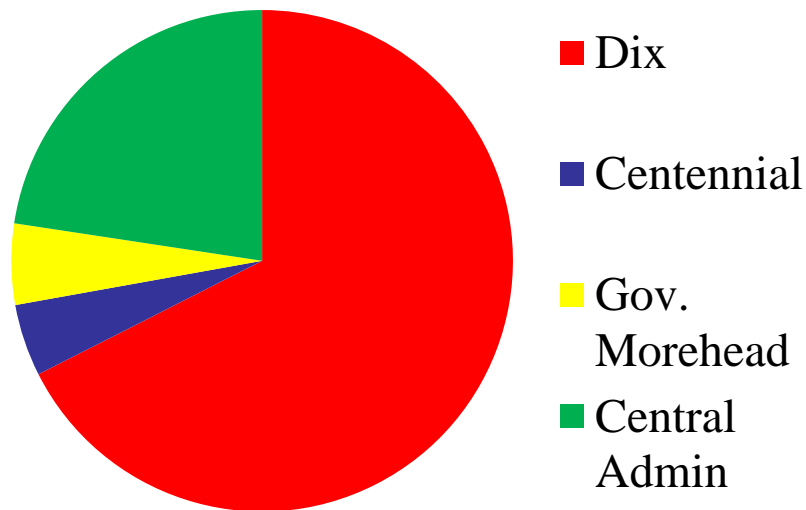
Description

- \$14.9 million annually (Statewide)
- \$7.3 million annually (Wake)
- 24 leases
- 537,580 sq. ft.
- Majority office space

Source: State Property Office and DHHS

Department of Health and Human Services Real Property in Wake

By Complex (966,764 sq. ft.)



By Function (Top Categories) in Sq. Ft.

Office	306,530
Storage	140,325
Housing	117,598
Other	77,941
Food Service*	70,059
Medical Care	41,770
Recreational	38,755
Lab	36,788
Conference Room	33,019

Request for Proposal

- July 11, 2012, DOA issues RFP for a consolidated space for Wake County area
- 850,000 – 1,050,000 sq. ft. of space
- 20 year lease term with additional renewal options
- Can be build to suit, existing space, or a combination.

Potential Questions

- What Divisions and functions will move into the new facility
- What, if any, savings will result from a consolidation of space
- What, if any, efficiencies will result from having functions in a closer proximity
- Does this impact Sec. 10.9(b) of S.L. 2012-142?

Questions

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